

## KEY INFORMATION DOCUMENT (ERIS Interest Rate Futures)

**Purpose:** This document provides key information about this investment product. It is not marketing material. The information is required by law to help you understand the nature, risks, costs, potential gains and losses of this product and to help you compare it with other products.

**Product:** Eris Interest Rate Futures ("ERIS Future")- ICE Futures Europe ("IFEU") - <https://www.theice.com/futures-europe>

Eris EURIBOR® Interest Rate Future 2 yr, 3 yr, 5yr, 7yr, 10yr, 30yr

Eris GBP LIBOR Interest Rate Future 2 yr, 3 yr, 5yr, 7yr, 10yr, 30yr

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IFEU is a recognised investment exchange supervised by the Financial Conduct Authority.

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**Alert:** You are about to open a position in a product which is not simple and may be difficult to understand.

### What is this product?

**Type:** Derivative. **ERIS Interest Rate Futures** are considered to be derivatives under Annex I, Section C of MiFID 2014/65/EU.

### Objectives:

An ERIS Future replicates all of the economics and cash flows of an OTC interest rate swap. Each contract is based on 100,000 notional in EUR or GBP and its value is based upon the difference between a stream of pre-defined fixed interest payments and a stream of floating interest payments based on EURIBOR or GBP LIBOR respectively. ERIS Futures are a cash settled contract with no physical delivery. Each ERIS Future has a defined Last Trading Day ("**Last Trading Day**"), after which the product will expire. An ERIS Future remains outstanding as a future until their Maturity Day ("**Maturity Day**"), i.e. a newly listed 5 year contract would expire in 5 years. You can close your position on any trading day up to and including the Last Trading Day, which is the last good business day before the Maturity Day. If you (as a **buyer**) 'opened' a position by buying an ERIS Future, you sell the same contract to 'close' your position. The buyer of an ERIS Future pays fixed rate. If you (as a **seller**) 'opened' a position by selling an Eris Future, you buy the same contract to 'close' your position. The seller of an ERIS Future receives fixed rate. If on the day the contract is traded out of or on the Last Trading Day, the closing price exceeds the opening price the buyer has made a profit and the seller has made a loss. In this case, during the holding period, the seller has paid the buyer the difference between the closing price and the opening price, where each 0.01 is worth either €10 or £10. If on the Last Trading Day the final closing price is less than the opening price, the seller makes a profit and the buyer makes a loss. In this case, during the holding period, the buyer has paid the seller the difference between the opening price and the closing price, where each 0.01 is worth either €10 or £10.

**Quotation:** ERIS Futures have a novelty in that their trading price is quoted in a different way to the daily settlement price.

Net Present Value ("NPV") per Contract will be used for trade execution

NPV is expressed in per contract terms for the Buyer (Pay Fixed). Each Future negotiated in NPV terms has an implicit Futures-Style Price of:

Trade Price = 100 + A + B – C

Where A is the NPV per Contract agreed upon between the counterparties (divided by 1,000 to normalise units to 100 face amounts), B is the value of the historical fixed and floating amounts, and C is the Price Alignment Rate at the time.

The B and C components are calculated once daily and applied by ICE Futures Europe, and are not subject to negotiation by the counterparties

The increments/tick sizes in which NPV per Contract can be negotiated depend on the maturity.

Daily settlement prices are quoted on a basis of 100, similar to market practice for bonds and other futures contracts.

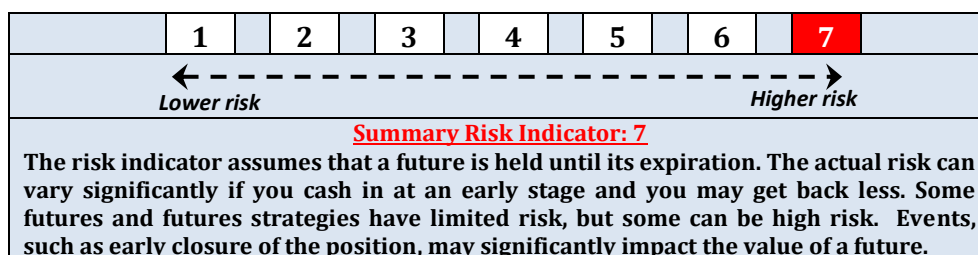
An ERIS Future may in certain circumstances be unilaterally terminated by IFEU and may be terminated by ICEU (see "What happens if IFEU is unable to pay out?" below) following an event of default of a Clearing Member or invoiced back. Factors that impact an ERIS Future's value include, but are not limited to, the opening price and underlying interest rate. An ERIS Future will (unless you choose to close your position beforehand) automatically expire on the relevant expiry date.

### Intended retail investor:

This product is not designed to be marketed to a specific type of investor or to fulfil a specific investment objective or investment strategy. A retail investor should become familiar with the characteristics of this product to make an informed decision on whether or not this product fits their investment needs. If in doubt, a retail investor should contact their broker or investment adviser to obtain investment advice.

### What are the risks and what could I get in return?

#### Risk indicator:



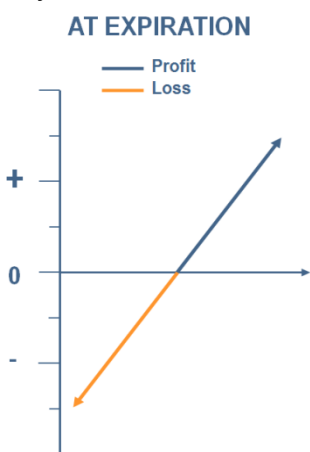
- The summary risk indicator is a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money because of movements in the markets. We have classified this product as **7 out of 7**, which is the highest risk class. This rates the potential losses from future performance at a very high level.
- **Be aware of currency risk. You may receive payments in a different currency, so the final return you will get depends on the exchange rate between the two currencies. This risk is not considered in the indicator shown above.**
- In some circumstances you may be required to make further payments to pay for losses. **The total loss you may incur may significantly exceed the amount invested.**
- This product does not include any protection from future market performance so you could lose some or all of your investment.
- If ICEU (see "What happens if ICEU is unable to pay out?" below) or any intermediary is not able to pay you what is owed you could lose your entire investment
- **The risk and reward profile of an ERIS Future depends on its terms, but will involve the following considerations:**  
**Buyers** of an ERIS Future can incur unlimited losses. The loss is equal to opening contract price minus the closing sale price.  
**Sellers** of an ERIS Future can incur unlimited losses. The loss is equal to the closing sale price minus the opening contract price.  
**Buying or selling futures can be high risk and requires extensive product knowledge.** The profit or loss potential of an ERIS Future on the Last Trading Day depends on the opening contract price and the relevant closing price. The price of the ERIS Future depends on several factors, such as the price movement of the underlying interest rate. Additionally, the potential for profit or loss of the ERIS Future's position depends highly on the way the position is used, e.g. ERIS Futures can be traded as a risk management tool to hedge other investments or as a stand-alone investment.
- This product can expose a retail investor to unlimited liabilities in certain circumstances and can be used for a variety of purposes e.g. for hedging/risk management or as a stand-alone instrument. This is a complex product and is only likely to be appropriate for the most experienced, sophisticated and knowledgeable types of investors.

### Performance scenarios:

These graphs illustrate how your investment could perform. You can compare them with the pay-off graphs of other derivatives products in different Key Information Documents.

The graphs presented give a range of possible outcomes and are not an exact indication of what you might get back. What you get will vary depending on how the underlying will develop. For each value of the underlying, the graphs show what the profit or loss of the product would be. The horizontal axis shows the various possible prices of the underlying ERIS Future on the expiry date and the vertical axis shows the profit or loss.

#### Buy ERIS Future:



**Transaction:** Buy ERIS Future.

**Investment:** None, but margin is required.

**Margin:** Initial margin (approximately 0.2-7% of the contract notional value) plus variation margin to mark to market prices on a daily basis.

**Market expectation:** Rising market. Buying this product holds that you think the value of the ERIS Future will increase i.e. interest rates will go up.

**Profit/loss calculation:** The profit or loss at expiration is calculated as follows:

**Step one:** Take the closing price minus the opening price at which the contract was entered into.

**Step two:** When the result of Step one is positive the buyer has made a profit. If the result of Step one is negative the buyer has made a loss.

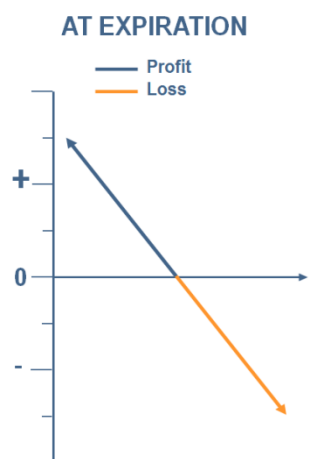
**Step three:** To monetise the difference calculated in Step two you have to multiply the difference between the closing price and the opening price, where each 0.01 is worth either €10 or £10.

**Profit and loss characteristics:**

**Profit:** Unlimited

**Loss:** Your maximum loss is unlimited. You may lose all of your investment and be required to make additional payments significantly exceeding the initial margin payment.

#### Sell ERIS Future



**Transaction:** Sell ERIS Future.

**Investment:** None, but margin is required.

**Margin:** Initial margin (approximately 0.2-7% of the contract notional value) plus variation margin to mark to market prices on a daily basis.

**Market expectation:** Selling this product holds that you think the value of the ERIS Future will decrease i.e. interest rates will go down.

**Profit/loss calculation:** The profit or loss at expiration is calculated as follows:

**Step one:** Take the opening price the contract was entered into minus the closing price.

**Step two:** When the result of Step one is positive the seller has made a profit. If the result of Step one is negative then the seller has made a loss.

**Step three:** To monetise the difference calculated in Step two you have to multiply the difference between the closing price and the opening price, where each 0.01 is worth either €10 or £10.

**Profit and loss characteristics:**

**Profit:** Unlimited.

**Loss:** Your maximum loss is unlimited. You may lose all of your investment and be required to make additional payments significantly exceeding the initial margin payment.

Buying or selling an ERIS Future is one of the ways that you can take a 'long' or 'short' ERIS Future position and depends on the retail investor's individual trading strategy.

The scenarios shown include all the costs of the product itself, but may not include all the costs that you pay to your advisor or distributor. The scenarios do not take into account your personal tax situation, which may also affect how much you get back.

### What happens if ICE Futures Europe is unable to pay out?

IFEU is not responsible for paying out under the investment. All derivatives traded on IFEU are centrally cleared by ICE Clear Europe Ltd. ("ICEU"). IFEU and ICEU are not within the jurisdiction of the UK Financial Services Compensation Scheme. In the event of a default by ICEU or your intermediary your position may become subject to ICEU's default procedures in accordance with its clearing rules, which may ultimately expose you to a risk of financial loss. It is possible that you may be included in any other compensation scheme depending on the exchange trading participant/member, clearing member, broker or other intermediary involved in a retail derivative transaction concerning this product. If you are in any doubt as to your position you should seek independent professional advice.

### What are the costs?

#### Costs over time and Compositions of Costs:

IFEU charges fees which are applied to Clearing Members. The full fee schedule is available on our website ([https://www.theice.com/publicdocs/futures/IFEU\\_Fees\\_Interest\\_Rate\\_Products.pdf](https://www.theice.com/publicdocs/futures/IFEU_Fees_Interest_Rate_Products.pdf)). The person selling you or advising you about this product may pass on IFEU and ICEU charges and charge you other costs. If so, this person will provide you with information about these costs, and show you the impact that all costs will have on your investment over time. Further or associated costs may be charged to retail investors by the exchange trading participant/member, brokers or other intermediaries involved in a retail derivative transaction.

### How long should I hold it and can I take money out early?

**There is no recommended holding period for this product.** The contracts remain outstanding as futures past the accrual effective date, until their maturity date. Eris Futures can be held until the Last Trading Day or positions can be closed out on any trading day up to and including the Last Trading Day. Whether or not retail investors choose to do so will depend on their investment strategy and risk profile.

- ✓ A long Eris Future position can be closed by entering a sell order in the market on any trading day during the lifetime of the futures contract.
- ✓ A short Eris Future position can be closed by entering a buy order in the market on any trading day during the lifetime of the futures contract.

### How can I complain?

Retail investors should address complaints to the broker or intermediary with whom the investor has a contractual relationship in relation to this product or to the IFEU Complaints Handling Officer. Complaints must be made in writing to: The Complaints Handling Officer, ICE Futures Europe, 5<sup>th</sup> Floor, Milton Gate, 60 Chiswell Street, London, EC1Y 4SA, or can be emailed to: [ICEFuturesEurope-Complaints@theice.com](mailto:ICEFuturesEurope-Complaints@theice.com). See <https://www.theice.com/futures-europe/regulation> for full details of IFEU's Complaints Handling Procedures).

### Other relevant information

#### Contract specifications setting out key details of all Eris Futures traded on our markets are published on IFEU's website:

Eris EURIBOR® Interest Rate Future 2 yr, 3 yr, 5yr, 7yr, 10yr, 30yr  
<https://www.theice.com/products/52026298/Eris-EURIBOR-Interest-Rate-Future>  
Eris GBP LIBOR Interest Rate Future 2 yr, 3 yr, 5yr, 7yr, 10yr, 30yr  
<https://www.theice.com/products/52026300/Eris-GBP-LIBOR-Interest-Rate-Future>

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